



South Carolina Department of Health and Environmental Control

ANSWERS TO QUESTIONS SUBMITTED REGARDING THE PUBLIC NOTICE OF INTENT TO TRANSFER HOME HEALTH LICENSES PURSUANT TO SC CODE §44-69-30

September 24, 2015

On August 14, 2015, the South Carolina Department of Health Environmental Control (DHEC) published its Notice of Intent to Transfer Home Health Licenses (NOI) pursuant to the provisions of SC Code Section 44-69-30. DHEC subsequently provided each interested party, upon request, a Home Health Program Due Diligence package to supplement the information published in the Notice of Intent. Questions received from the interested parties by the prescribed September 11, 2015 deadline have been recorded below with DHEC's corresponding response.

DHEC makes no warranty or representation as to future performance of its Home Health program. The enclosed information is for information purposes only, may not include all information relative to the program, and should not be construed to be representative of future performance under the home health licenses acquired as a result of transfer from DHEC.

Responses to the questions herein should not be considered legal advice. Interested parties are encouraged to seek legal counsel related to this transaction.

SCHEDULE CHANGE: The deadline to SUBMIT STATEMENT OF INTEREST is extended to Friday, October 2, 2015 at 2:30 pm ET.

1. GENERAL SALES

- 1.1. Back in the early 1990's when the HH Regulation were being revised there was an addendum added that exempted the CON requirement for Continuing Care Retirement Communities (CCRCs) in order for them to be able to provide services on their campuses. CCRCs, under this exception, are not allowed to provide HH services to the Community at-large and are not Medicare-certified. Does this DHEC HH Announcement pertain to the CCRCs in SC that are providing HH on their campuses?

➤ **DHEC RESPONSE:** No. The DHEC Public Notice Of Intent To Transfer Home Health Licenses Pursuant To SC CODE §44-69-30 is applicable to the licenses held by DHEC to provide home

health services. The licenses being transferred are not applicable to community care retirement communities.

- 1.2. Clarification to be sure I am understanding correctly, if a HH is Medicare-certified by DHEC they would fall under this transition whether they are a free-standing HH entity or part of LTC Community = any licensed HH entity?

➤ **DHEC RESPONSE:** DHEC is only transferring Home Health licenses held by DHEC, and the transfer of DHEC licenses is not applicable to any other home health provider/entity. DHEC licenses are not owned by or affiliated with any LTC Community.

- 1.3. Will the Home Health agencies under Medicaid be able to transfer license?

➤ **DHEC RESPONSE:** DHEC does not hold home health licenses “under Medicaid.” DHEC’s Home Health program is certified to bill Medicaid. DHEC’s CMS provider agreements are assignable to another home health provider meeting CMS’s qualification standards, and DHEC prefers to transfer its Home Health licenses to an entity that can and will accept assignment of the CMS provider agreements for the Home Health program.

- 1.4. Will you consider transfer of licenses of individual counties in SC or must they all be transferred to one entity?

➤ **DHEC RESPONSE:** DHEC’s Home Health program is licensed to provide services in all SC counties. The licenses are held by four distinct regions (Upstate, Midlands, Pee Dee, and Lowcountry), covering all counties. DHEC intends to transfer all licenses to one successor entity.

- 1.5. Would DHEC be interested in transferring Home Health licenses on a Regional level rather than Statewide?

➤ **DHEC RESPONSE:** DHEC intends to transfer all licenses to one successor entity.

- 1.6. Please confirm if each subunit is licensed as a branch location. Please also confirm the functions located in each subunit (i.e. Director of Nursing, Administrative Functions, etc.)

➤ **DHEC RESPONSE:** The licenses are held by four distinct regions (Upstate, Midlands, Pee Dee, and Lowcountry), covering all counties. Each Region is certified by Medicare as a subunit of the total agency (42-7000), but holds individual CMS certification numbers. Each region also has branches in addition to its main practice location. No branch holds an independent license.

The Upstate region has three branches; the Midlands region has two branches; the Pee Dee region has six branches, and the Lowcountry region has three branches. Some of the branch locations are very small (See Attachment 1).

Each of the four regions operates independently for all clinical functions, intake, customer service, and general administrative functions. Administrative functions performed by the home health administrative team that will be transitioning with the licenses include mailing

and retrieving orders, maintaining patient records, completing pre-claims audits, determining insurance eligibility, and obtaining authorizations. The administrative team also answers phones and performs general office work.

Claims submission (accounts receivable), finance, procurement, IT support and personnel functions are performed by non-home health staff in the regions and in DHEC's agency headquarters. Individuals performing these function are not included in this transfer.

- 1.7. Would you consider transfers of licenses of individual counties in SC or must they all be transferred to one entity?

➤ **DHEC RESPONSE:** DHEC intends to transfer all licenses to one successor entity.

- 1.8. Service Area by Provider.

➤ **DHEC RESPONSE:** See Sites and Branches spreadsheet at Attachment 1.

- 1.9. We understand that your preference is to sell all of these licenses to a single purchaser. However, your supporting documentation also indicates that DHEC will entertain other proposals as well. As such, we would like to know if you might consider the transfer of the Abbeville County license separately.

➤ **DHEC RESPONSE:** DHEC intends to transfer all licenses to one successor entity.

- 1.10. Would there be any contractual obligations to the buyer with regards to any of the claims systems or other reporting systems currently in use?

➤ **DHEC RESPONSE:** No contractual obligations will transfer to the buyer as to any of the claims systems or other reporting systems currently in use by DHEC. DHEC may assign its CMS provider agreements to a qualified home health provider, but the entity will need to be prepared to utilize its own claims and reporting systems at the time of closing.

- 1.11. Will DHEC include ongoing access to any of the reporting/claims currently in use?

➤ **DHEC RESPONSE:** DHEC will not provide access to the claims systems or other reporting systems currently in use by DHEC. The successor entity will need to utilize its own claims processing and reporting systems. DHEC may assign its CMS provider agreements to a qualified home health provider, but the entity will need to be prepared to utilize its own claims and reporting systems at the time of closing.

- 1.12. Can/will the service subunits be divided by counties? We are considering possible partnerships in such a venture.

➤ **DHEC RESPONSE:** DHEC intends to transfer all licenses to one successor entity. The successor entity may be a partnership, joint venture, or other legal entity established to provide Home Health services in all SC counties.

- 1.13. Does this type acquisition/transaction require CMS or other agency's approval?

- **DHEC RESPONSE:** The final Licenses Transfer Agreement will require the review and approval of the DHEC Board, and any closing of the transfer transaction shall be subject to such approval.

DHEC Bureau of Health Facility Licensing must approve the transfer of the licenses to the successor entity.

If the successor entity is accepting assignment of the CMS certification numbers, CMS will make final approval of the change of ownership for Medicare/Medicaid certification. As part of this process, the federal Office for Civil Rights (Atlanta) will also provide the Civil Rights clearance under US Department of Health and Human Services (HHS).

- 1.14. Will there be any limitations on Transferee's ability to consolidate existing Operations? For example, if Transferee has an existing agency in a county, can Transferee consolidate Operations into that existing agency?

- **DHEC RESPONSE:** DHEC intends to transfer all licenses to one successor entity. The successor entity may be a partnership, joint venture, or other legal entity established to provide Home Health services in all SC counties. Subject to any applicable legal requirements, the successor entity may restructure the Home Health operation provided the statutory requirements of SC Code Section 44-69-30 are met.

- 1.15. Will Transferee be allowed to close or otherwise consolidate Operations, provided there are adequate assurances of the employment of DHEC's Home Health employees?

- **DHEC RESPONSE:** DHEC intends to transfer all licenses to one successor entity. The successor entity may be a partnership, joint venture, or other legal entity established to provide Home Health services in all SC counties. Subject to any applicable legal requirements, the successor entity may restructure the Home Health operation provided that the successor continues to provide services in all counties and the statutory requirements of SC Code Section 44-69-30 are met.

- 1.16. Will Interested Parties be given the opportunity to review the Payor Contracts referenced in the due diligence materials?

- **DHEC RESPONSE:** Payor Contracts will be available to those entities selected for negotiation. The Contracts may be redacted to protect confidential or trade secret information. Nondisclosure agreements and prior Payor approval may be required for some contracts.

- 1.17. Will DHEC provide any assistance in transitioning billing and other administrative functions to the Transferee?

- **DHEC RESPONSE:** A transition plan will be negotiated with the successor entity.

- 1.18. Will the Medicaid and Medicare provider numbers be transferred to Transferee in connection with the transfer of the home health licenses?

- **DHEC RESPONSE:** If the successor entity is accepting assignment of the CMS provider agreements and certification numbers, the CMS certification numbers will transfer with the final approval of the change of ownership for Medicare/Medicaid certification. The successor entity will need to consult the SC Department of Health and Human Services to determine if a new Medicaid number will be required.
- 1.19. Will DHEC retain full liability and responsibility for the Operations and any issues arising from the Operations prior to the transfer of the licenses to Transferee?
 - **DHEC RESPONSE:** As an agency of the State of South Carolina, DHEC may not enter into an indemnity agreement; however, allocation of responsibilities for services and billing issues before and after the transfer will be addressed in the license transfer agreement.

2. **OTHER**

- 2.1. Is the Department considering a Q&A meeting or conference call prior to the submission of proposal?
 - **DHEC RESPONSE:** No Q&A meetings or conference calls are planned at this time.
- 2.2. Is it transfer for a limited time frame or lease of the license to operate? Or either?
 - **DHEC RESPONSE:** DHEC intends to transfer all licenses to one successor entity. The licenses will be subject to renewal requirements pursuant to applicable law. DHEC is not leasing any licenses.
- 2.3. Has the Department assessed the likelihood that the SC Legislature may retroactively disrupt or prevent the transfer of these services?
 - **DHEC RESPONSE:** DHEC is authorized, in accordance with SC Code §44-69-30, to transfer its licenses when doing so would result in continued high quality patient care, continued provision of services to indigent patients, assurance of the employment of DHEC's home health employees, and provision of home care services adequate to meet the needs of the State.
- 2.4. Have there been any ZPIC or RAC audits? If so, please provide details.
 - **DHEC RESPONSE:** DHEC has participated and complied with routine RAC and ZPIC Audit processes. The information related to these routine audits will be available to those entities selected for negotiation.
- 2.5. Survey Summary: When was the last survey for each provider number? Has the company ever received a condition-level deficiency on any survey? If so, please explain.
 - **DHEC RESPONSE:** All DHEC Home Health entities are accredited with deemed status by the Community Health Accreditation Partner (CHAP). There were no condition-level deficiencies identified during the last surveys conducted on the following dates:

Upstate – 9/4-7/2012
Midlands – 10/15-19/2012
Pee Dee – 11/13-15/2012
Lowcountry – 10/9-12/2012
Central Office – 9/4-7/2012

2.6. Does the company currently have any open cost reports? If so, what are their statuses?

- **DHEC RESPONSE:** All cost reports have been filed except for FY 2015, which ended in June 2015. Cost reports for FY 2015 are scheduled to be filed in November 2015.

2.7. Is there any issue with having two licenses in any particular county?

- **DHEC RESPONSE:** DHEC regulations do not *per se* prohibit a provider from having two or more Home Health licenses in the same county. However, the successor entity is encouraged to seek legal counsel to evaluate the legalities of their specific proposed operational plan.

2.8. Could the current Encore Home health software system for billing and clinical data be transferred? Is Encore Software system point of care?

- **DHEC RESPONSE:** Encore software system is the point of care system currently utilized by DHEC. However, DHEC is not transferring any software, including Encore, as part of this transaction.

2.9. Are there any current malpractice or legal matters?

- **DHEC RESPONSE:** DHEC does not have any open or known pending claims related to Home Health Services.

2.10. Where is the liability insurance purchased?

- **DHEC RESPONSE:** Liability insurance for DHEC is provided by the SC Insurance Reserve Fund.

2.11. Who is responsible for the marketing and promotion of the program?

- **DHEC RESPONSE:** DHEC is not actively engaged in marketing or promotional activity specific to Home Health Services. As a public health department, DHEC has not actively marketed its services.

2.12. How do you market your services?

- **DHEC RESPONSE:** DHEC is not actively engaged in marketing or promotional activity specific to Home Health Services. DHEC receives patient referrals based upon word-of-mouth, previous working relationships, customer service, and managed care contracts.

2.13. Is the current program being actively marketed to solicit new referrals and admissions?

- **DHEC RESPONSE:** DHEC is not actively engaged in marketing or promotional activity specific to Home Health Services. DHEC is currently accepting new referrals.
- 2.14. To what do you attribute the ongoing decline in patient caseload? Did any particular referral source decline or was it across all referral sources?
- **DHEC RESPONSE:** The industry has changed since DHEC began providing Home Health Services. DHEC believes that the reductions are due to many factors including, but not limited to, increased competition, set billing rates, changing payment methodologies coupled with DHEC's position to not actively market its services. A particular referral source decline is not believed to have caused a decline in patient case load.
- 2.15. What prompted the 'major' agency reorganization? Was it elective?
- **DHEC RESPONSE:** The reorganization was designed to drive operational efficiencies and affected the entire agency, including the Home Health program.
- 2.16. Do you practice telehealth?
- **DHEC RESPONSE:** DHEC does not have an active telehealth program at this time.
- 2.17. What type of Information System do you currently have?
- **DHEC RESPONSE:** Home Health utilizes a variety of information systems in its operations. No information systems will be transferred as part of this transaction.
- 2.18. Do you use POC documentation, paper documentation, etc.?
- **DHEC RESPONSE:** Yes, DHEC Home Health Services uses a point of care system (Encore): laptops are "synched" on a regular basis. Other documents are stored electronically (PDF).
- 2.19. What requirements will Transferee need to meet in order to satisfy its obligation to provide "high quality of patient care" pursuant to Section 44-69-30?
- **DHEC RESPONSE:** "High Quality of Patient Care" is demonstrated through an interested party's professional, operational, administrative, compliance, financial, and patient encounter/outcomes indicators. Determining whether an interested party can deliver "High Quality of Patient Care" will be evaluated on a case-by-case basis. Interested parties are encouraged to submit explanations of their definitions of quality and results thereto in each of these areas.
- 2.20. Will Transferee be expected to exceed the publically reported outcomes/processes expressed in the due diligence information packet (pages12-14)?
- **DHEC RESPONSE:** DHEC will not require the successor entity to exceed the publically reported outcomes/processes expressed in the due diligence information packet.

2.21. What requirements will Transferee need to meet in order to satisfy its obligation to provide “continued provision of services to indigent patients” pursuant to Section 44-69-30?

➤ **DHEC RESPONSE:** “Continued provision of services to indigent patients” is demonstrated by an interested party’s commitment to continuing services to indigent patients. Determining whether an interested party can deliver “continued provision of services to indigent patients” will be evaluated on a case-by-case basis. Interested parties are encouraged to submit explanations of their plans to provide services to our SC indigent patients.

2.22 Are any contracts utilized for the Operations (e.g., therapy contracts) not otherwise terminable by the Transferee with 30 days or less notice? If yes, please specify.

➤ **DHEC RESPONSE:** It is not anticipated that all contracts will transfer to the successor entity. DHEC’s standard contract template for vendors provides a 30-day notice of termination. Contracts will be available to those entities selected for negotiation. The Contracts may be redacted to protect confidential or trade secret information. Nondisclosure agreements and prior party approval may be required for some contracts.

2.23 Are there any outstanding claims, or threatened claims of which DHEC is aware, regarding services provided to any patient? If yes, please provide details for each such claim.

➤ **DHEC RESPONSE:** DHEC does not have any open or known pending claims related to Home Health Services.

2.24 Are there any current or pending audits of the Operations by Medicare, Medicaid or any commercial payors? Will DHEC fully reimburse Transferee to the extent Transferee is held liable as a result of any audits of services provided prior to the transfer of the licenses?

➤ **DHEC RESPONSE:** DHEC has participated and complied with routine RAC and ZPIC Audit processes. The information related to these routine audits will be available to those entities selected for negotiation.

As an agency of the State of South Carolina, DHEC may not enter into an indemnity agreement; however, allocation of responsibilities for services and billing issues before and after the transfer will be addressed in the license transfer agreement.

2.25 Will Transferee be allowed to sell the Operations or portions thereof, subject to the conditions provided for in the License Transfer Agreement?

➤ **DHEC RESPONSE:** In general, subsequent sales of Operations or portions thereof may be permitted subject to the condition that the transferee agrees to abide by the covenants of the transferor in the License Transfer Agreement and with the requirements for Home Health services set forth in the South Carolina Code of Laws and DHEC’s regulations. The successor entity is encouraged to seek legal counsel to evaluate the legalities of their specific proposed sale of operations or portion thereof.

3. FINANCIAL

- 3.1. Since Home Health Licenses are certified by Medicare must the documents submitted support a "fair market" assessment of the value of the Department's Home Health Services?
- **DHEC RESPONSE:** DHEC has not assessed and is not requiring a "fair market" assessment. The interested parties are encouraged to seek legal counsel to evaluate the need for a "fair market" assessment that may be required by other entities.
- 3.2. Does the Department prefer a single payment or can it consider annual future payments?
- **DHEC RESPONSE:** DHEC prefers a single payment.
- 3.3. Please provide a detailed income statement by month for each business line for the last two fiscal years and most recent YTD period, broken down by business line, if applicable (e.g., home health, hospice, private duty, etc.).
- **DHEC RESPONSE:** See Revenue and Expenditure reports at Attachment 2.
- 3.4. Please provide net revenue by payor source by agency (e.g., Medicare, Medicaid, other) for the last two fiscal years, and most recent YTD period. Please identify non-Medicare revenue that is reimbursed episodically, and confirm if rates are comparable to Medicare rates, if possible. If allowable, please also provide average per visit rate by discipline for all non-episodic payors.
- **DHEC RESPONSE:** See Revenue and Expenditure reports at Attachment 2. We do not break out revenue by specific payor source nor do we separate episodic revenue from fee-for-service.
- 3.5. Please confirm if any or all commercial payor contracts are transferable.
- **DHEC RESPONSE:** Most commercial payor contracts are transferable or assignable. Payor approval may be required. Some contracts are not exclusive to Home Health Services. The payors will be contacted as to status once the successor entity is named.
- 3.6. Please confirm if any vendor and/or payor contracts are required to be transferred.
- **DHEC RESPONSE:** All contracts have a termination clause, but not all are terminable at will. Contracts will be available to those entities selected for negotiation. The Contracts may be redacted to protect confidential or trade secret information. Nondisclosure agreements and prior party approval may be required for some contracts.
- 3.7. Can you send a financial showing the detail of expenses; we are trying to understand what is all included in the expenses? Would also be good to see a break-out of costs between clinical and admin? Please give us as much detail of expenses as you have; particularly for FY 2015.
- **DHEC RESPONSE:** See Revenue and Expenditure reports at Attachment 2. We do not separate clinical from administrative expenses.

3.8. Do you have info on Payor contract rates?

- **DHEC RESPONSE:** Payor Contracts will be available to those entities selected for negotiation. The Contracts may be redacted to protect confidential or trade secret information. Nondisclosure agreements and prior Payor approval may be required for some contracts.

3.9. Revenue Detail by Geographical area (for example, nursing income and Physical Therapy income by each of the four regions)

- **DHEC RESPONSE:** See Revenue and Expenditure reports at Attachment 2. We do not have a breakout of “nursing income” vs. “physical therapy income” since a significant portion of revenue is obtained through episodic payment.

3.10. Explanation for the decrease in revenue by \$3.5 Million from 2013 to 2015.

- **DHEC RESPONSE:** This was addressed in the Due Diligence packet.

3.11. Expense detail line item by Geographical area – any direct cost associated with a revenue item needs to be identified (for example, subcontracted expense for physical therapy is a direct cost of physical therapy income).

- **DHEC RESPONSE:** See Revenue and Expenditure reports at Attachment 2.

3.12. Cash balance in Home Health Operating accounts.

- **DHEC RESPONSE:** \$1,192,454 at close of business September 17, 2015. Cash balance can fluctuate widely from day to day. Cash is not being transferred.

3.13. Projected Cash balance in Home Health Operating accounts as of January 1, 2016.

- **DHEC RESPONSE:** Cash is not being transferred to the successor entity as part of this transaction.

3.14. Aged Accounts receivable by month for 2014 and 2015.

- **DHEC RESPONSE:** Information is unavailable.

3.15. Projected aged accounts receivable balance as of January 1, 2016.

- **DHEC RESPONSE:** Information is unavailable. Accounts Receivable is not being transferred to the successor entity as part of this transaction.

3.16. Projected aged accounts receivable balance as of January 1, 2016.

- **DHEC RESPONSE:** DHEC does not intend to transfer the Accounts Receivable balance.

3.17. Average days to collect billings.

- DHEC RESPONSE: Information not available.
- 3.18. List of Assets included in the operations of the Home Health services.
- DHEC RESPONSE: The Licenses are the only assets transferring as part of this transaction.
- 3.19. List of Assets to be included in the acquisition.
- DHEC RESPONSE: The Licenses are the only assets transferring as part of this transaction. CMS provider agreements and contracts with payors and certain vendors are assignable.
- 3.20. Contracts and obligations (identify which ones are to be assumed by the buyer and which ones are not to be assumed) including but not limited to:
- Office rent and related leases, if applicable
 - Software and Hardware leases
 - Software and Hardware leases Maintenance Agreements
 - Other Equipment leases
 - Subcontractor agreements (for example, outside physical therapy vendors)
- DHEC RESPONSE: Contracts will be available to those entities selected for negotiation. The Contracts may be redacted to protect confidential or trade secret information. Nondisclosure agreements and prior Payor approval may be required for some contracts. Specific to the list above, contracts and obligations are as follows:
- No Office rent and related leases to be transferred.
 - No Software and Hardware leases to be transferred.
 - No Software and Hardware leases Maintenance Agreements to be transferred.
 - No Equipment leases to be transferred.
 - Subcontractor agreements need to be evaluated as part of the negotiation.
- 3.21. May 31 Year End Detailed Financials (Income Statement) and Current YTD Financials by provider.
- DHEC RESPONSE: See Revenue and Expenditure Reports at Attachment 2.
- 3.22. List of Commercial Payor (contract rates?)
- DHEC RESPONSE: Payor Contracts will be available to those entities selected for negotiation. The Contracts may be redacted to protect confidential or trade secret information. Nondisclosure agreements and prior Payor approval may be required for some contracts.
- 3.23. Does the company currently have any existing or delinquent overpayments that have not been paid in full?
- DHEC RESPONSE: At the current time, there are no delinquent or overpayments for Medicare. Accounts Receivable is not being transferred to the successor entity as part of this transaction.

- 3.24. What is the current spend with the "Therapy" companies currently being utilized to service patients? What % of Therapy costs is contracted?
- DHEC RESPONSE: DHEC spent \$2,310,463 on Therapy Contracts for Home Health in FY 2015. This accounts for approximately 78% of the cost for therapy service
- 3.25. Can we get a copy of the 2014 and 2015 detailed P&L? By month would be preferable.
- DHEC RESPONSE: See Revenue and Expenditure Reports at Attachment 2.
- 3.26. Please provide a list of payors and the revenue for each by month for 2014 and 2015.
- DHEC RESPONSE: See Revenue and Expenditure Reports at Attachment 2. We do not track revenue by separate payor.
- 3.27. You state that 'many administrative functions are provided by other departments of the agency' – I know the staffing numbers exclude these functions, but is there an expense associated with 'outsourcing' this function that is included in the financial information? How much is it?
- DHEC RESPONSE: A few employees are funded from the home health budget. However, most of those staff are funded from other sources.
- 3.28. Of the \$8MM in payroll expense, how much is contract therapy?
- a. Are benefits included in the \$8MM
- b. Does the \$8MM only cover the 85 FT and 45PT employees or does it include any of the admin positions?
- DHEC RESPONSE: Contract therapy is not included as a payroll expense. It is included as case services. Salary and Fringe is included. It includes all of the home health staff. A few employees are funded from the home health budget. However, most of those staff are funded from other sources. A few employees are funded from the home health budget.
- 3.29. Page 4 of the due diligence information packet contains a chart relating to "non-reimbursed care." Is "non-reimbursed care" the same as "indigent care"? If not, what percentage of "non-reimbursed care" is "indigent care"?
- DHEC RESPONSE: It is the same. It includes all services to uninsured patients though some are charged based on a sliding fee scale. See Spreadsheet at Attachment 3.
- 3.30. With respect to non-reimbursed care, will Transferee be required to assume the same or greater obligations than those DHEC assumed during fiscal years 2013, 2014 and 2015, as evidenced on page 4 of the due diligence information packet?
- DHEC RESPONSE: Per Section 44-69-30 of the South Carolina Code, the Transferee will be required to provide services to indigent patients. DHEC will not require the successor entity to exceed the obligations DHEC assumed toward indigent patients/non-reimbursed care as provided in the due diligence information packet.

4. EMPLOYEE

- 4.1. Please provide employee counts by position and an employee organizational chart. Please provide counts by agency, if applicable.

➤ DHEC RESPONSE: Employee counts by position were provided in the due diligence materials. Organizational charts providing names and positions of the individuals will be provided to the interested party during negotiation of a license transfer agreement.

- 4.2. Please provide visiting staff productivity expectations (daily / weekly) and actual performance for the trailing twelve months. Please also confirm visit weighting for regular visits vs. admissions and discharges, etc.

➤ DHEC RESPONSE: Please see the Attachment 4 for information on nursing productivity. The expectation is 4 visits per day. Admission visits are weighted to be 2 visits. Other visits with completed OASIS are 1.5 visits.

- 4.3. Are the agency's employees covered by a collective bargaining agreement or any union contracts? If yes, please provide a copy of such contracts.

➤ DHEC RESPONSE: No. The agency's employees are not covered by a collective bargaining agreement or any union contracts.

- 4.4. Please confirm if the agency's contracts for supplemental staff are assignable. And, please confirm if these staff are included in the 12 mo. employment requirement.

➤ DHEC RESPONSE: Agency contracts for supplemental staff (contractors) are generally assignable. Contractors are not included in the 12 month employment requirement.

- 4.5. Employee position and pay listing by provider.

➤ DHEC RESPONSE: Please see Attachment 5.

- 4.6. Employee Benefit Information.

➤ DHEC RESPONSE: For detailed information see <http://www.admin.sc.gov/humanresources/employee-information/benefits-and-leave>

- 4.7. Please confirm the number of Provider #'s being transferred and provider numbers.

➤ DHEC RESPONSE: There are four (4) CMS Certification Numbers (CCN) that are available for transfer should the successor entity accept assignment of the current Medicare agreement. The numbers are:

- 427850 SC DHEC Midlands Home Health Services
- 427856 SC DHEC Low Country Home Health Services
- 427846 SC DHEC Upstate Home Health Services

- 427854 SC DHEC Pee Dee Home Health Services

See sites and branches spreadsheet for additional information at Attachment 1.

- 4.8. Provide an org chart that includes back office staffing for each location.

➤ DHEC RESPONSE: Please see Attachment 6.

- 4.9. Can you give us more details on the current pay rates for skilled nurses and therapists, including benefits information? Even an average or a general range by category would help us with our analysis.

➤ DHEC RESPONSE: Please see the attached salaries spreadsheet. For detailed information regarding benefits, please see <http://www.admin.sc.gov/humanresources/employee-information/benefits-and-leave>

- 4.10. Please explain the difference between Registered Nurse I and II.

➤ DHEC RESPONSE:
RN I is a class intended for use at the entry and journey levels. RN II is a class intended for use at the expert and lead-worker levels. Generally, RN I's do not have a Bachelor's Degree and RN II's have a Bachelor's Degree or higher.

- 4.11. Please confirm expectation for status of employees in relation to 12 mo. hire period (i.e. offers of employment provided, must pass customary & company standard background checks, must follow standard policies & protocols, will be classified as "at will", etc.).

➤ DHEC RESPONSE: It is the Department's expectation that affected employees will be retained for 12 months and will have compensation packages comparable to those offered by the Department unless reasonable cause exists not to retain the employee, e.g., failed background check, or for termination. Reasonable cause will be determined during negotiations.

- 4.12. Please confirm if all employees are expected to maintain current salaries for 12 mo. hire period.

➤ DHEC RESPONSE: The Department's expectation is that all employees will have a compensation package comparable to their current compensation packages.

- 4.13. Please confirm if severance is expected to satisfy the 12 mo. hire period for employees terminated, unless terminated for cause or due to failing customary background checks.

➤ DHEC RESPONSE: It is the Department's expectation that affected employees will be retained for 12 months unless reasonable cause exists not to retain the employee, e.g., failed background check, or for termination. This requirement does not prohibit the successor entity from entering into a mutually agreeable severance package with an individual employee.

4.14. Is there a medical director? If so, who?

➤ DHEC RESPONSE: There is no medical director that is part of the transfer.

4.15. Who is the current director?

➤ DHEC RESPONSE: Lee Kirkpatrick is director of the Home Health Program at the state level. Each Region also has a separate program manager designated as the administrator for the Home Health Program in that region.

4.16. How is the role of the Central Office Nurse Administrator who left on 8/31 being covered?

➤ DHEC RESPONSE: The subject Central Office Nurse Administrator's duties have been reassigned to remaining staff. DHEC does not intend to replace the subject employee at this time.

4.17. Are FTE nurses salaried or paid per visit?

➤ DHEC RESPONSE: FTE nurses are salaried.

4.18. Do employees drive their own vehicles or are there company-provided vehicles? At what rate is mileage reimbursed?

➤ DHEC RESPONSE: There are some state-owned vehicles for use, but most employees drive their own vehicles. Mileage is reimbursed at the IRS rate (57.5 cents per mile effective January 1, 2015).

4.19. Have you had high worker's compensation and/or health claims from the existing employees in the past three years?

➤ DHEC RESPONSE: No.

4.20 The Public Notice provides that Transferee will "agree to continuing employment of existing DHEC Home Health staff members, who desire employment with the transferee, for at least one year from the date of the transfer of licenses."

a. Would Transferee be allowed to suspend or terminate a staff member during the one-year period from the transfer date, if legitimate grounds for such action existed?

DHEC RESPONSE: It is the Department's expectation that affected employees will be retained for 12 months unless reasonable cause exists for termination. Reasonable cause will be determined during negotiations.

b. Can Transferee satisfy this obligation by entering into mutually agreeable severance agreements with DHEC Home Health staff members?

DHEC RESPONSE: It is the Department's expectation that affected employees will be retained for 12 months unless reasonable cause exists not to retain the employee, e.g., failed background check, or for termination. This requirement does not prohibit the successor entity from entering into a mutually agreeable severance package with an individual employee.

- c. Can Transferee satisfy this obligation by offering employment to these DHEC Home Health staff members with salary and benefits commensurate with other similarly situated employees of Transferee?

DHEC RESPONSE: It is the Department's expectation that affected employees will be retained for 12 months and will have compensation packages comparable to those offered by the Department.

- d. In order to satisfy this condition, is Transferee required to maintain the same salary and benefits for DHEC Home Health employees as maintained by DHEC?

DHEC RESPONSE: It is the Department's expectation that affected employees will be retained for 12 months and will have compensation packages comparable to those offered by the Department.

- e. Please provide job descriptions for the staff positions listed on page 11 of the due diligence information packet.

DHEC RESPONSE: Please see Attachment 7.

- f. Please provide the salary ranges for the staff positions listed on page 11 of the due diligence information packet.

DHEC RESPONSE: Please see the attached Salaries spreadsheet at Attachment 4.

5. REFERRAL

- 5.1. Please confirm all individual referral sources which contribute greater than 5% of overall referrals and include the percentage of total referrals provided each provides.

➤ **DHEC RESPONSE:** For the unduplicated patient table in due diligence packet and the patient census reports, please see Attachment 8. Referrals are not tracked by specific payors.

6. SERVICES

- 6.1. What services are at an office and which are provided by the HH staff and which are provided by agency staff in each?

➤ **DHEC RESPONSE:** Each of the four regions operates independently for all clinical functions, intake, customer service, and general administrative functions. Administrative functions performed by home health administrative team that will be transitioning with the licenses

include mailing and retrieving orders, maintaining patient records, completing pre-claims audits, determining insurance eligibility, and obtaining authorizations. The administrative team also answers phones and performs general office work.

Claims submission (accounts receivable), finance, procurement, IT support and personnel functions are performed by non-home health staff in the regions and in DHEC's agency headquarters. Individuals performing these function are not included in this transfer.

6.2. Admission Statistics by payor by provider.

- **DHEC RESPONSE:** The requested information is not available. DHEC does not track admissions by payor. The current census by payor is included in the due diligence package.

6.3. ADC by payor by provider.

- **DHEC RESPONSE:** The requested information is not available. DHEC does not track ADC by payor. Please see the unduplicated patient table included in the due diligence packet and the attached historical census report at Attachment 7.

6.4. Total Episodes by Provider.

- **DHEC RESPONSE:** Please see the attached Average Medicare Episodes per Beneficiary at Attachment 9.

6.5. Average Length of Stay by Provider.

- **DHEC RESPONSE:** Please see the attached Agency Patient-related Characteristic Report for Medicare and Medicaid Patients at Attachment 10. The information is not tracked for payors other than Medicare or Medicaid.

6.6. Provide detailed information on visits by month for 2014 & YTD 2015 (total visits per month by payor, visits per episode, visits per patient per month, etc.)

- **DHEC RESPONSE:** Please see the attached Home Health Visits report at Attachment 11. DHEC does not track visits per month by payor, visits per episode, or visits per patient per month.

6.7. Provide Admits and Recertification's and Census trended by Month and by Payer (Medicare and Private Insurance only – skilled services) for 2014, and 2015 YTD

- **DHEC RESPONSE:** Please see the unduplicated patient table included in the due diligence packet and the patient census reports at Attachment 7. Census is not tracked by specific payor.

6.8. Please provide the LUPA %, Outlier %, and Therapy % of total episodes trended by Month and by Payer (Medicare and Private Insurance only – skilled services for 2013, 2014, and 2015 YTD

- **DHEC RESPONSE:** Please see the attached Agency Patient-related Characteristic Report for Medicare and Medicaid Patients at Attachment 10. The information is not tracked for payors other than Medicare or Medicaid.
- 6.9. Provide annual referral data (in both number and percent of total) for your 5 largest referrers (names are not necessary, Referral Source 1, Referral Source 2, etc... is fine) for Medicare and Private Insurance
- **DHEC RESPONSE:** DHEC does not track specific referral sources, but rather tracks them by category. Of all referrals: 60% are from hospitals, 24% are from physician offices, 5% are from rehabilitation facilities, 3% are from managed care contracts, and 3% are from the Veterans Administration (VA).
- 6.10. Please provide Medical Director information by location. Compensation and start date. Total referrals given in 2013, 2014 and 2015 YTD (in both number and percent of total)
- **DHEC RESPONSE:** DHEC does not have Medical Directors at its sites.
- 6.11. Provide PS&R for 2014
- **DHEC RESPONSE:** Please see Attachment 12.
- 6.12. Provide a copy of the balance sheet as of 06.30.15
- **DHEC RESPONSE:** DHEC does not have program-specific balance sheets.
- 6.13. Please confirm if pediatric services are included in the services to be maintained post-closing.
- **DHEC RESPONSE:** The Department's expectation is that the successor entity accepts all current DHEC patients.
- 6.14. Can you send us the breakdown of visits by discipline (rather than simply total visits)?
- **DHEC RESPONSE:** Please see Attachment 13.
- 6.15. How many indigent patients were treated by DHEC in 2013, 2014, and 2015, by region and by county? Please express, as a percentage of charges and costs, the amount of indigent care provided in 2013, 2014, and 2015, also providing such information by region and by county.
- **DHEC RESPONSE:** Please see the attached spreadsheet at Attachment 3.
- 6.16. How does DHEC define "indigent patients" or "indigent care" for the purposes of Section 44-69-30?
- **DHEC RESPONSE:** An indigent patient is one who does not have health insurance and who is not eligible for other healthcare coverage. However, the successor entity is encouraged to seek legal counsel for compliance with legal requirements.

6.17. Will Transferee be required to maintain any specific levels of indigent care? If so, please identify.

➤ **DHEC RESPONSE:** “Continued provision of services to indigent patients” is demonstrated by an interested party’s commitment to continuing services to indigent patients. Determining whether an interested party can deliver “continued provision of services to indigent patients” will be evaluated on a case-by-case basis. Interested parties are encouraged to submit explanations of their plans to provide services to our SC indigent patients.

6.18. What standard/policy does DHEC currently utilize to determine whether it is not discriminating against providing services to indigent patients?

➤ **DHEC RESPONSE:** Please see Attachment 14 (Policy 2060).

6.19. What is the current standard/policy that DHEC utilizes to show whether it is capable of providing home health services in all areas of the state, including rural areas? How does DHEC evaluate whether it has satisfied this standard? Will Transferee be evaluated using this same standard?

➤ **DHEC RESPONSE:** DHEC does not have a current standard or policy for evaluation of its home health services. Interested parties are encouraged to submit explanations of their plans to provide services to patients in rural areas.

6.20. Please complete the attached "2013 - 2015 Home Health Key Stat Template" for each agency. Or, if similar reports capturing majority of the information are available in existing reports, please provide.

➤ **DHEC RESPONSE:** The information requested in the template has been provided in the answers to the questions in Section 6 above. In addition, please see Attachments 15 and 16.

7. FACILITY

7.1. What are the on-going physical facility issues? Will the buyer continue to operate in the same space or will the 4 office operations need to be moved to other sites?

➤ **DHEC RESPONSE:** Office space is owned by the county in which the office is located, with the exception of leased space in Dillon County. The successor entity will not continue to operate in the county-owned offices.

7.2. What are the general terms of the office leases (\$ amount, expiration date, plans to transition space)?

➤ **DHEC RESPONSE:** There is one lease for office space in Dillon County. All other office space is owned by the county in which the office is located. The Dillon County lease is year to year, at \$9.63 per rentable square foot, in the annual aggregate amount of \$30,816, payable in equal monthly installments of \$2,568.00. The current lease expires July 31, 2016. DHEC will not transfer the lease as part of this transaction.

- 7.3. Please provide detail on all office leases, rentals, etc. Is the expectation that buyer will assume all leases. Are any buildings housing the home health agencies owned by DHEC? If so, will buyer be required to move upon closing or be provided with optional period for transition?

➤ **DHEC RESPONSE:** Office space is owned by the county in which the office is located, with the exception of leased space in Dillon County. The successor entity will not continue to operate in the county-owned offices.

The Dillon County lease is year to year, at \$9.63 per rentable square foot, in the annual aggregate amount of \$30,816, payable in equal monthly installments of \$2,568.00. The current lease expires July 31, 2016. DHEC will not transfer the lease as part of this transaction. The existing lease will be terminated at the time of transfer, but the successor entity may choose to contact the lessor and negotiate its own lease.

- 7.4. Please confirm office details including square footage and blueprints, as available.

➤ **DHEC RESPONSE:** Office space is owned by the county in which the office is located, with the exception of leased space in Dillon County. The successor entity will not continue to operate in the county-owned offices.

The leased space in Dillon County is approximately 3200 square feet.

- 7.5. Are there leases on the existing offices? If so, what are the terms?

➤ **DHEC RESPONSE:** There is one lease for office space in Dillon County. The lease is year to year, at \$9.63 per rentable square foot, in the annual aggregate amount of \$30,816, payable in equal monthly installments of \$2,568.00. The current lease expires July 31, 2016. DHEC will not transfer the lease as part of this transaction.

- 7.6. Are the offices owned? If owned, does the real estate transfer with the licenses?

➤ **DHEC RESPONSE:** Office space is owned by the county in which the office is located, with the exception of leased space in Dillon County. The successor entity will not continue to operate in the county-owned offices.

The Dillon County lease is year to year, at \$9.63 per rentable square foot, in the annual aggregate amount of \$30,816, payable in equal monthly installments of \$2,568.00. The current lease expires July 31, 2016. DHEC will not transfer the lease as part of this transaction. The existing lease will be terminated at the time of transfer, but the successor entity may choose to contact the lessor and negotiate its own lease.

- 7.7. How many offices does DHEC currently maintain to service the Operations? Where are those offices physically located?

➤ **DHEC RESPONSE:** See Sites and Branches spreadsheet at Attachment 1.

7.8. Is Transferee required to maintain a physical office in every licensed county?

➤ *DHEC RESPONSE:* No. The transferee is not required to maintain a physical office in every licensed county.

7.9. Will Transferee be obligated to assume any lease obligations currently used in the Operations?

➤ *DHEC RESPONSE:* No. The Transferee is not required to assume any lease obligations.

7.10. Are the providers in govt buildings?

➤ *DHEC RESPONSE:* All providers are located in government buildings except for one leased location (Dillon office).